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121135Z Apr 05

UNCLAS SECTION 01 OF 02 COLOMBO 000712

SIPDIS

DEPT FOR EB A/S ANTHONY WAYNE; SA/INS FOR J. BRENNIG, N.  
DEAN; PLEASE PASS TO TSUNAMI RECONSTRUCTION TASK FORCE;  
TREASURY FOR C. CARNES

SENSITIVE

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [PGOV](#) [CE](#) [MV](#)

SUBJECT: SRI LANKAN POST-TSUNAMI RECONSTRUCTION UPDATE  
(APRIL 12, 2005)

REF: A. COLOMBO 557

D. COLOMBO 696

[1](#)B. COLOMBO 558

E. COLOMBO 697

[1](#)C. COLOMBO 583

F. COLOMBO 704

- [1](#)1. This contains an action request (Par 6).
- [1](#)2. We are sending this update early since Post will be closed on Wednesday and Thursday for Sri Lankan holidays.
- [1](#)3. The Ambassador and poloff visited the Maldives last week to discuss possible mechanisms for providing assistance, and visited several islands severely damaged by the tsunami. (Refs E and F). After conversations with Maldivian government officials, the Embassy is convinced that USG supplemental tsunami assistance can be effectively channeled through the GORM's National Fund. The government is willing to work with donors on particular needs or conditionalities they may have.
- [1](#)4. VAT: While the GSL agrees that our bilateral agreement allows assistance provided by USAID through local partners to be exempt from VAT, the GSL now interprets our long standing system, the VAT-exempt notification letters, to be "illegal". GSL suggests that contractors pay VAT, and that an arrangement be worked out for GSL review and reimburse funds paid for VAT. This approach most likely would require substantial USG and NGO efforts to follow up with GSL for reimbursement, and is far from ideal. Further, we went through this entire issue a year ago, which led to creation of the exemption letters. This has tremendous implications for our tsunami programs. The Ambassador and AID Director will raise this issue with the Finance Secretary on Friday.
- [1](#)5. At a recent donor meeting, it was agreed that bi-weekly meetings will be held between donors and the GSL tsunami "big three." Mano Tittawella of TAFREN, Tilak Ranaviraja of TAFOR, and Finance Ministry Secretary P.B. Jayasundera. Many pressing tsunami issues require coordination among the three. Having regular sessions with all three present should be an effective way to break logjams and move things along quickly.
- [1](#)6. Post requests that organizers for the Private Sector Summit be contacted to assure that representatives from the Maldives are invited. We assume that this will be a networking event in large part, but look forward to receiving more concrete details regarding the purposes of the meeting.
- [1](#)7. USAID has sent teams out to Galle and Matara in the south and Ampara and Batticaloa in the east to assess progress on the relief and rehabilitation front. Take home message is that on-the-ground aid is progressing mostly as expected. (Ref D).
- [1](#)8. The Ambassador and AID Director will meet with the Finance Secretary on Friday to present a copy of the draft Strategic Objective Grant Agreement, so that we may move ahead quickly after Congress passes and the President signs the Supplemental Aid package.
- [1](#)9. Two upcoming AID teams will visit soon to assist in preparing proposals for coastal zone management, and for vocational technical education.
- [1](#)10. GSL's Ministry of Finance and Planning has sent us the official announcement of the Development Forum to be held in Kandy on May 16 and 17, "to focus on the post-tsunami recovery and reconstruction process and the overall medium term development strategies of Sri Lanka." The Ambassador plans to attend. We will ask septel to be advised which USG officials will attend this conference.
- [1](#)11. Army Corps: USAID is developing a new agreement with Army Corps to more clearly define the scope of its work.

12. A/S Cristina Rocca visit: Preparations are underway for A/S Rocca's visit on April 19 and 20. We want to make use of this visit to demonstrate the efforts underway, progress accomplished, and to articulate the importance of GSL helping the USG and its other aid providers help Sri Lanka.

LUNSTEAD